

Amendment 7

What does it mean?

Students and alumni shed some light on a heated statewide issue with important ramifications for MU.

Q. What is Amendment 7, also known as Hancock II?

A. Amendment 7 on the Nov. 8 ballot is an effort to modify the Missouri Constitution. The amendment would require nearly

all tax increases to go to a vote of the people and could require Missouri to cut its budget by \$1 billion next year. It would modify the 1980 Hancock amendment.

"It's popular to want to have the kind of direct say in government that the amendment offers," says Karen Randolph, a junior from Carrollton and Associated Students of the University of Missouri board member. "But it would wipe out our representative style of government, which is a basic tenet of our constitution."



Political Science student

Q. How is Hancock II different from Hancock I?

A. The Hancock I formula sets a limit, or lid, on state revenues each year. No state revenue above the lid is allowed unless approved by a vote of the people. If revenues exceed the lid, the excess must be refunded to the people. That will continue to be the case regardless of the outcome of Amendment 7.

After Hancock I, the Missouri

Supreme Court ruled that revenues received from taxes approved by the voters didn't need to be included when state revenue was calculated. That means funds generated from the Proposition C education sales tax (1982) and the Proposition A motor fuel tax (1987), among others, have not been included to date in total state revenue.

Hancock II, or Amendment 7, will attempt to place all tax increase measures into the revenue lid calculation, including those already approved by Missouri voters since 1980. The spending lid, however, remains the same. If Amendment 7 passes, Missouri's revenues would be over the lid in fiscal year 1996. The excess would have to be cut from the state budget and refunded to the taxpayers.

Under Hancock II, tax increases would be limited to 0.2 percent of total state revenue of the previous fiscal year, unless approved by popular vote.

Q. What would Amendment 7 mean to MU?

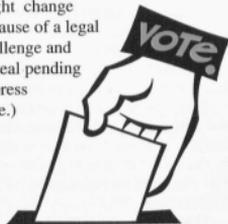
A. "The smallest estimate of Amendment 7's impact on MU is a cut of between \$40 million and \$50 million, one-third of our state appropriation," says MU Chancellor Charles Kiesler. "We would package a series of options that would probably include an increase of tuition; reduction of financial aid; elimination of sections, programs and departments; and cuts in faculty and staff positions.

Ballot language

shall Article X of the Constitution of Missouri be amended to limit yearly increases of total state revenues generated by new, increased, or broadened taxes, licenses and fees, including user fees, to twenty hundredths of one percent of the total state revenues during the prior fiscal year, unless approved by popular vote; make all increases in taxes, licenses, and fees, excluding user fees, by any political subdivision subject to voter approval; and prohibit the state from mandating tax increases on political subdivisions as a requirement for maintaining their corporate status or existing level of state funding?

This proposal would require state and local spending cuts ranging from \$1 billion to \$5 billion annually. Cuts would affect prisons, schools, colleges, programs for the elderly, job training, highways, public health and other services.

(Note: The fiscal note might change because of a legal challenge and appeal pending at press time.)



"It takes centuries to develop a great university, but a very short period to tear one down."

Q. Don't Missourians already have a vote on their taxes?

A. Yes, under the provisions of Hancock I. But Hancock and his supporters were angered when the General Assembly passed the Outstanding Schools Act, Senate Bill 380, in 1993 without a vote of the people.

Q. Was the education measure legal?

A. The state's Budget and Planning Office interpreted that S.B. 380 was legal under the Hancock I lid. But Hancock saw it as "a clear-cut violation" of the intent of the original Hancock amendment.

Missouri's Commissioner of Education, Robert Bartman, EdD '75, says that if Amendment 7 passes, the inequities that caused the court to overturn the funding formula in the first place will get worse. "We'll be right back in court dealing with the same issues. But in a post-Hancock environment, it will be far more difficult for the Legislature to come up with workable solutions."

Q. What are the Amendment 7 proponents trying to accomplish?

A. "This gives people the right to vote on tax increases," says U.S. Rep. Mel Hancock, R-Mo., the measure's chief architect. "All we're asking for is fiscal accountability. We don't want to shut down the state of Missouri; we don't want to shut down the colleges or public education. We do want to have a say over tax increases."

Q. What is the position of Amendment 7's opponents?

A. "Amendment 7 goes far beyond the notion of giving voters a say on major tax issues," says U.S. Sen. Jack Danforth, R-Mo., co-chairman of the Committee to Protect Missouri's Future. "Passage of Hancock II would ensnare state government in a web of endless litigation over the meaning, intent, and implementation of many of the amendment's provisions. Hancock II will cause Draconian cuts in state programs and paralyze the state's ability to provide basic services to its citizens."

Q. How much would the state budget have to be cut?

A. According to the Moody Report, the state budget would have to be cut by \$1 billion.

Moody's report was funded by the Committee to Protect Missouri's Future, a coalition of Amendment 7 opponents. Its author, Jim Moody, served as state budget director under Gov. John Ashcroft. Hancock cites \$134 million in cuts calculated by the Cato Institute, a Washington, D.C., libertarian group.

Q. How will state services be affected?

A. Since two-thirds of the state budget is controlled by federal and state mandates, the \$1 billion in cuts will have to come from the remaining one-third of the budget. Agencies could lose as much as 32 percent of their state funding. Hancock disagrees: "If we continue at the present economic growth rate for personal income, then there will be very little actual reduction in state revenues."

Q. What is the impact of Amendment 7 on elementary and secondary education?

A. Assuming a one-third reduction in general revenue funding, the Department of Elementary and Secondary Education says its 1995-96 budget could drop by nearly \$400 million in state and federal money. The vast majority — nearly \$340 million — of these cutbacks would be in basic state aid to local schools and in other programs that directly assist school districts.

A number of highly regarded programs would likely disappear. These include programs for minimum teacher salaries and enhanced career incentives, computer

networking, programs for at-risk children, early childhood special education and vocational education.

Some specific examples might be helpful. The Independence School District near Kansas City stands to lose between \$4 million and \$5.5 million if the amendment is approved. That represents 14 percent to 19 percent of the district's total operating budget, says Robert Watkins, PhD '73, Independence school superintendent. That amount could translate into a loss of one out of every four of the district's 800 teachers. "It will mean a significant reduction that could be crippling," Watkins says.

Across the state in Wentzville, "We would

Impact on state agencies

Program	Reduction
Elementary and secondary education	\$284,619,242
Higher education.....	\$176,661,209
Highways	\$134,600,000
Social services.....	\$98,671,102
Office of Administration.....	\$70,906,874
Corrections	\$55,425,196
Local use tax	\$47,445,000
Mental health	\$31,737,819
Economic development	\$22,669,871
Natural resources	\$18,873,350
Elected officials	\$14,079,266
Judiciary.....	\$14,013,701
Revenue	\$13,410,731
Health	\$13,244,713
Public safety	\$11,362,249
General Assembly	\$6,588,411
Agriculture	\$6,527,830
Insurance	\$3,063,437
Total	\$1,023,900,001

Source: The Moody Report, April 1994

How Missouri ranks

At \$1,596, Missouri ranked 43rd in the nation in per capita tax burden in 1991.

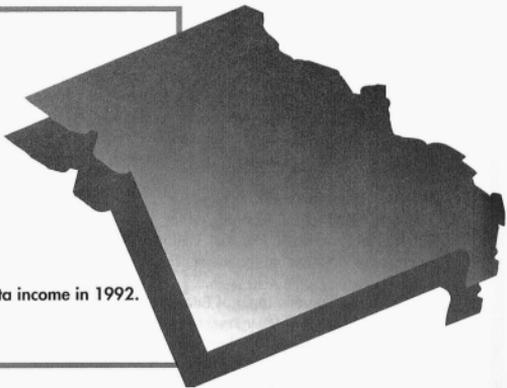
Source: Bureau of the Census

At \$117, Missouri ranked 42nd in the nation in per capita appropriations to higher education.

Source: *The Chronicle of Higher Education*, Sept. 1, 1994

At \$18,835, Missouri ranked 22nd in the nation in per capita income in 1992.

Source: U.S. Department of Commerce, Bureau of Economic Analysis



State leaders express these opinions

Constitutional Amendment 7 is not just about tax limitation. This is about whether we have the resources to fight crime, whether we have the resources to educate our children and whether we have the resources to create jobs in Missouri. Amendment 7 severely cuts spending and therefore will result in an immediate and severe cut in state services. These service cuts will total at least \$1 billion."

— Gov. Mel Carnahan, JD '59

I'm concerned about economic development. I don't know if corporations would want to settle in a state that can't serve the citizens of its state with those services that a state ought to be providing. Those include highways, roads, bridges and utilities. Many state services provide training and retraining of employees and businesses. I can see many of those programs ceasing to exist."

— Ron Berrey, EdD '84, superintendent, Wentzville School District

You have to understand, I am a true Republican. I have always voted Republican. I consider myself a conservative. When it comes to taxes, I just am tired of paying taxes. That's what I liked about Hancock II on the surface — I thought it was a good idea for face value, but now that I've seen the far-reaching implications it's going to have across the board, including education, I think we ought to take a second look at it. I have sent away for more information, the detailed information to sift through, to determine if it's really going to damage the University and education in Missouri the way I've been told. If that is indeed the case, I would vote no."

— Dr. Jay Joern, AB '72, dentist, Ladue, former officer of the St. Louis Chapter of the MU Alumni Association

I'm a Missouri citizen. I'm a businessman in Missouri. My company has 15 employees. My son is running it. And I'm not about to approve anything of the Draconian, sky-is-falling [measures] that the opponents are saying will happen. That will not happen."

— U.S. Rep. Mel Hancock, R-Mo., Springfield

Two years ago, Judge Byron Kinder said that funding for Missouri's public school facilities varied from 'golden to god-awful.' Then he gave some very strict directions to the Missouri Legislature and administrators to fix the 'god-awful' part, or the court would do it for them.

"Arising from that court order was, for the first time in Missouri's long history of public education, enough money to: provide roughly equal dollars behind every Missouri school student ... without taking dollars from the wealthier district students to give to those less wealthy; provide for mandatory ongoing teacher training; reduce student to teacher ratios; and significantly increase the quality of career training for students not going on to college.

"That is a small sampling of the good things that are going to happen for Missouri students. That will happen unless Hancock II passes Nov. 8. If Hancock II passes, all of those benefits, plus lots more, to kids disappear ... and we go back to school like it was. To quote Judge Kinder again: 'golden to god-awful.'"

— Peter Herschend, BS BA '58, vice chairman of Silver Dollar City Inc. and member of the State Board of Education

stand to lose \$400,000 to \$1.2 million in annual revenue from the state and we're a heavily locally funded district," says Ron Berrey, EdD '84, Wentzville superintendent.

Q. Will some state agencies be impacted more than others?

A. Analysts say that every state program funded with general revenue dollars would be a candidate for budget cuts if the amendment passes. Because some units rely more heavily on general revenue, they are more likely to face steep reductions.

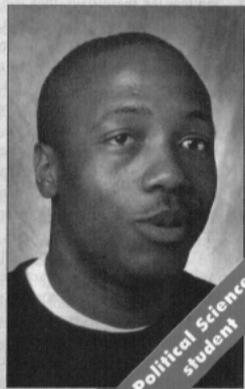
The Department of Corrections, which operates Missouri prisons, depends on general revenue for 86 percent of its budget. "While corrections already spends less per inmate than all other states, our operating budget is likely to be cut by one-third, at a time when the inmate count has increased 9 percent in nine months," says Dora Schirro, Missouri corrections director. The department estimates a \$55.4 million cut.

That budget cut translates into shutting down 2,900 prison

beds statewide, or the equivalent of closing three prisons, Schirro says. Probation supervision for the state's 35,000 probationers would be eliminated, as would all literacy, vocational training and drug programs in prison. The state stands to lose space for another 4,800 prisoners because money wouldn't be available to build prisons through the bond issue voters passed last summer, and the state wouldn't be able to match federal dollars it is eligible to receive for new prisons.

The Department of Natural Resources enforces Missouri's

"I believe we should vote 'no' on Amendment 7," Michael Darden, a senior from Springfield, says, "because it will decrease support for such things as programs for the elderly, road construction, education and other services that are vital to every individual in the state of Missouri."



A amendment 7 will impact everybody. Cutting home-delivered meals for 3,900 elderly citizens, and cutting transportation assistance for senior citizens by 40 percent are not the ways we want to treat the elderly in a state that has a higher proportion of senior citizens than 40 others."

— **Lt. Gov. Roger Wilson**, M Ed '86

The impact of constitutional Amendment 7 will fall fast and most deeply upon the elderly in the state."

— **Gary J. Stangler**, AB '74, director of Missouri Department of Social Service

It is well-known that Farm Bureau was instrumental in seeking and obtaining voter-approval of the original Hancock amendment. Even so, we were not asked to be part of the drafting of Hancock II. Had we been consulted, we would have no doubt raised concern about including previously voter-approved taxes in the revenue-lid calculation — particularly in light of the fact that it would include those supported by Farm Bureau."

— **Charles Kruse**, MS '75, president of Missouri Farm Bureau, which estimates state budget cuts of \$900 million to \$1.4 billion, if Amendment 7 passes

The board of directors of Associated Industries voted to support Amendment 7. They believe the last two tax increases — S.B. 380, the Outstanding Schools Act and the temporary corporate tax increase — hit business disproportionately hard. We feel any tax increase should be broad-based rather than on the shoulders of business.

"We hope to send the message that business is more than willing to pay its fair share as long as it's a proportionate share. We firmly believe Amendment 7 would promote economic development throughout the state."

— **Jay Wunderlich**, MPA '89, director of the Taxpayers' Research Institute of Missouri, a division of Associate Industries

Hancock supporters have promoted Amendment 7 as a tax lid. This is really a massive tax rollback, and the public doesn't realize that. When the supporters say there won't be a tax rollback, that's blatant dishonesty."

— **Bob Selsor**, AB '82, JD '85, chairman of MU Alumni Association's legislative information network committee and a St. Louis attorney

I believe Amendment 7 will have a serious, detrimental effect on Missouri's economy for years to come. The highway construction program, as a result of the 2+2+2 gasoline tax increase that was passed three years ago, provides funds to match federal dollars. Missouri desperately needs highway construction throughout the state to be able to compete for industry, not only in the major metropolitan areas but in the rural areas of the state."

— **Tom Lawson**, MA '61, PhD '70, former president of the MU Alumni Association, and city manager of Poplar Bluff

Other states experience tax limitations

The results have not been pretty, a former Oregonian says.

In the 18 years since California voters started it all with Proposition 13, some 22 additional states have imposed limits on taxes and spending. In at least two states, California and Oregon, this was achieved primarily through a cap on property taxes. And while residents of those states are paying less tax these days, they can tell you of some other consequences too.

"Prop. 13 was the beginning of an unraveling here in California," says Jack Peltason, AB '43, MA '44, president of the nine-campus University of California system. Since 1978, the year Prop. 13 became effective, the system has eliminated faculty and staff positions and academic offerings and increased tuition by 320 percent above inflation.

"At the University of California, we've been forced to enact the biggest cuts of our 125-year history. It's hard to say Prop. 13 is the cause, but it certainly contributed to state and local governments not having the resources they needed to maintain education. K-12 education was hurt worse than we were by Prop. 13."

Higher education and prisons, state services without constitutional protection from revenue cuts, are competing for available funds, Peltason says. "At the moment, prisons are winning."

Oregon has had a similar experience. Voters there in 1990 enacted a property

tax limit similar to California's. At Oregon universities, tuition has jumped by 59 percent, academic programs have closed, course offerings have been slashed, faculty and staff have lost jobs, enrollment has dropped.

"We have not closed campuses, but we have consciously shifted the burden in the direction of students and away from the state," says Larry Large, vice chancellor for public affairs in the Oregon State System of Higher Education.

Wayne Merritt, a University of Oregon employee for 33 years, offers his perspective.

"We witnessed the absolute devastation of an economy in Oregon, and I'm not just talking about the University," says Merritt, who now directs MU's University Printing. "It wasn't pretty. Everyone suffered."

Merritt did get a tax break after the limit was adopted. He was fortunate also to remain employed, though a number of his colleagues weren't so lucky.

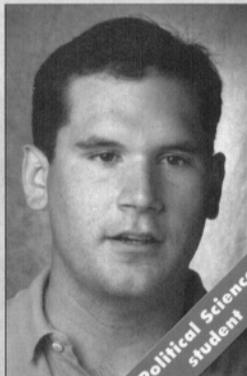
"I realized a whole \$150 in tax savings the first year," Merritt says. "Big deal. Would you rather lose your job and get \$150, or would you rather keep your job?"

In California property tax revenues dropped 57 percent the year after Prop. 13 passed. The cumulative tax reduction there has been estimated at more than \$200 billion since 1978.

"Do these tax and expenditure limits work?" asks Dr. John Forrester, a budget specialist and an associate professor of public administration at MU. "Well, they work if you don't care how many homeless you have on the streets, if you don't care how many speech pathologists stop serving rural school districts, if it doesn't matter how many people you have to let out of prison.

"The ironic thing is, in most states where these measures have been adopted — and numerous studies back this up — citizens were not dissatisfied with the state's public services, they just didn't want to pay for them."

"I am for it because I believe that it will give more responsibility and tax power to the people rather than state legislators," says Aaron Wallace, a junior from Jefferson City. "It takes the blank check away from bureaucrats and allows better management of taxpayers' money."



clean water and clean air laws. That department has notified the U.S. Environmental Protection Agency that if Amendment 7 passes, it will begin returning regulatory programs to the federal government. Those with the highest percentage of general revenue, such as the Safe Drinking Water program, would be first. Historic preservation and outdoor recreation assistance programs would be closed. Smaller parks around the state would be closed.

Q. What would be the impact on social services in Missouri?
A. The Department of Social Services estimates Amendment 7

would reduce its budget by \$220 million and cut staff by nearly two-thirds, from 9,000 to 3,000.

Missouri's elderly population could feel a sharp impact. The budget cuts could eliminate in-home services to 4,000 out of 10,000 clients. The loss of trained social service workers could mean that 10,000 hotline calls to report abuse and neglect of the

elderly will go unanswered. Nursing home enforcement would be severely limited and transportation assistance to 12,000 elderly citizens could be eliminated.

Other social service programs would be affected. Enforcement of child support payments, which generates \$180 million that goes directly to families, would be reduced. It would eliminate 70 percent of day-care assistance funds for 16,000 children, and it would reduce optional, but critical, Medicaid programs.

In the youth services division, hundreds of convicted juveniles would be released into the community. Treatment and follow-up services would be eliminated for hundreds more. The reduced capacity means that nearly 500 convicted juveniles could be on the waiting list for treatment.

"If the amendment passes, it will mean less money for higher education," says Cathy Jolly, a senior from Ballwin and member of the Missouri Students Association Senate. "How can we compete? I don't know if my degree will mean as much."



Q. If state taxes would be reduced by Amendment 7's passage, what would happen to local property taxes?

- A. Public schools would likely see significant increases in local property taxes to sustain operations or face prospects of laying off teachers and closing some schools. "If school districts receive less state aid as a result of Amendment 7, and I believe they will, the only other major source of funds for schools are from local property tax," says Joel Denney, BS Ed '74, EdD '82, superintendent of Columbia Public Schools.

Q. Who supports Amendment 7?

- A. These organizations have endorsed Amendment 7, according to the Hancock II Committee, as of Oct. 5: Association of Concerned Taxpayers, Americans for Tax Reform, American Conservative Union, Free Congress Foundation, National Taxpayers' Union, Concerned Women for America, Eagle Forum, Christian Action Network, Associated Industries of Missouri, Citizens Against Government Waste, Empower America, American Family Association, Christian Coalition, National Federation of Independent Businesses and Taxpayers Research Institute of Missouri.

Q. Who opposes Amendment 7?

- A. These organizations oppose Amendment 7, according to the Committee to Protect Missouri's Future, as of Oct. 5: Adequate Housing for Missourians; American Federation of State, County, and Municipal Employees, State Council 72; American Association of Retired Persons, Missouri State Legislative Committee; Associated General Contractors of Missouri; Bed and Breakfast Inns of Missouri; Branson/Lakes Area Chamber of Commerce; Civic Council of Kansas City; Civic Progress (St. Louis); Clay County Economic Development Council; Columbia Chamber of Commerce; Communication Workers of America, District 6;

Conservation Federation of Missouri; Council on Public Higher Education; Ethical Action Committee of the Ethical Society; Heavy Contractors Association of Greater Kansas City; International Union of Operating Engineers, Local No. 2; Jefferson City Chamber of Commerce; Kansas City Chamber of Commerce; Kirksville Chamber of Commerce; Missouri ACORN; Missouri Ambulance Directors Network; Missouri Association of Alcohol and Drug Abuse Programs; Missouri Association of Convention and Visitors Bureau; Missouri Association of Counties; Missouri Association of Elementary School Principals; Missouri Association of Faculty Senates; Missouri Association of Municipal Utilities; Missouri Association of Rural Education; Missouri Association of School Administrators; Missouri Association of School Business Officials; Missouri Association of School Librarians; Missouri Association of School Nurses; Missouri Association of Secondary School Principals; Missouri Association for Social Welfare;

Missouri Association for Supervision and Curriculum Development; Missouri Chamber of Commerce; Missouri Chapter, Americans for Democratic Action; Missouri Community College Association; Missouri Hotel and Motel Association; Missouri Industrial Development Council; Missouri League of Women Voters; Missouri Library Association; Missouri Municipal League; Missouri National Education Association; Missouri Parent Teacher Association; Missouri Research Institute; Missouri School Boards Association; Missouri State Teachers' Association; Missouri Transportation and Development Council; Missouri Travel Council; Missourians for Higher Education; Missourians for Tax Justice; Neighborhood Enterprises; Older Adult Community Action Program; Presbytery of Giddings-Lovejoy; Partnership for Children; Reform Organization of Welfare (ROWEL); Regional Commerce and Growth Association (St. Louis); Service Employees International Union, Local 50; Springfield Chamber of Commerce; Springfield Convention and Visitors Bureau; Travel Federation of Missouri; and Warrensburg Chamber of Commerce.

Q. Where can I obtain more information?

- A. The Committee to Protect Missouri's Future, which opposes the amendment, can be reached at P.O. Box 105167, Jefferson City, Mo. 65110, (314) 761-9030. Write or call supporters at the Hancock II Committee, 2951 E. Chestnut Expressway, Springfield, Mo. 65890, 1-800-769-3813.

Compiled by John Beahler, Sue France, Jim Kelly & Dale Smith